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SUPERFUND RECORDS

The Kansas City Star, Wednesday, August 13, 1986

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Break:	13.3
Other:	8-13-86

Auditor reports in PCB trial

Plant may have funds to help cleanup

By Andrew C. Miller

The Star's Washington correspondent

Washington—A General Accounting Office auditor suggested today that the idled Martha C. Rose Chemicals Inc. in Holden, Mo., might have enough money to share in cleaning up PCB waste at the site, despite the company's denials.

Terry G. Tillotson, a Kansas City-based auditor for the congressional investigatory agency, said he viewed incomplete financial records and could not definitively say whether Rose Chemicals

could pay for some or all of the cleanup, previously estimated to cost in the millions of dollars.

But, he said, a "high level of cash receipts," increasing inventories of contaminated materials and increasing debt to an affiliated company makes it "appear that some money should have been available."

He testified today before the House Government Operations environment subcommittee into the Rose Chemicals plant, which lawmakers called the nation's largest PCB waste site. The company began a PCB disposal operation in 1982 and closed its doors in March.

Rose officials, who declined to testify today, have told the Environmental Protection Agency that it does not have the funds to pay for cleanup of the facility. A petition of involuntary bankruptcy has been filed against the company, but has not been granted.

PCBs, now banned, have been linked to skin, liver and nervous disorders and are suspected of causing cancer and birth defects.

Rep. Albert G. Bustamante, a Texas Democrat, said it appeared the company had taken in millions of dollars and paid only 2 percent or 3 percent of it in fines for violations of EPA regulations.

Rep. Mike Synar, an Oklahoma Democrat and the subcommittee chairman, called the Holden case, "a frightening story" of how a "company with questionable integrity collected millions of dollars for services never performed."

He called it an example of how the federal government has "failed in its responsibility to insure a safe and healthy environment."

Mayor Francis Brillhart of Holden criticized EPA officials, saying several phone calls yielded few results.

In 1984 and 1985, Mr. Brillhart said he relayed numerous complaints from Rose employees to EPA officials. "Agency spokesman told me that Rose was a good company and was operating under government guidelines," he said.

More recent complaints to dispose of the PCB wastes have not been successful either, he said. "We have not seen any action of anything going on except we have seen security guards," he added.

A former shift supervisor at Rose, Ralph Duane Cole Jr., said Rose officials always had three or four day's notice of EPA plant inspections.

After receiving warning of an inspection, he said, "we'd do nothing but clean the plant. It would be spotless clean." He said there was a rumor that a top Rose official "had somebody in his pocket" at EPA who tipped the company off about the inspections.

Mr. Cole charged there were several violations of federal regulations at the plant, including the sale of oil contaminated with high levels of PCBs. He also said Rose employees were directed to

change labels on PCB barrels prior to EPA inspections.

In his testimony, Mr. Tillotson describe the financial relationship between Rose Chemical and several other companies. Walter C. Carolan of Kansas City owned 51 percent of Rose and was company president, he said.

In addition to controlling Rose, Mr. Carolan owns 100 percent of the stock in three other companies, American Steelworks Inc., Dust Suppression Systems, Inc. and W.C. Carolan Company Inc., Mr. Tillotson said.

He testified that American Steel and Dust Suppression shared the Holden facility with Rose Chemicals. American Steel employed the workers and provided the materials to conduct the PCB decontamination.

In examining bills from American Steel to Rose Chemical, Mr. Tillotson said overhead costs amounted to \$2.75 for every dollar of direct labor.

"I cannot comment on the appropriateness of the overhead charges," he testified. "However, it seems highly unusual for a company to charge more for overhead than they do for direct labor."

He said an examination of complete financial records for Rose from 1985 and 1986 "should shed light on the important question concerning Rose's financial position and ability to pay for all or some of the cleanup costs."

4:30 Tinsworth offline

Chronology
NEI permit
PCB Applicant guidance

382-5422

Reynold Meni

OK contact for clearance

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E-1550

To: M.KAY (EPA9700)
From: M.HALPER (EPA7470) Posted: Fri 8-Aug-86 12:17 EDT Sys 63 (109)
Subject: Synar Hearings-PCB

MEMORANDUM

SUBJECT: Synar Hearings -- PCBs

FROM: Edwin F. Tinsworth
Acting Director
Office of Toxic Substances

TO: Addressees

As you know, the House Subcommittee on Environment, Energy and Natural Resources of the House Committee on Government Operations will hold hearings on Wednesday, August 13, 1986. I have attached a letter from Committee Chairman Mike Synar asking EPA to participate at the hearings. The focus of the hearings will be PCB regulations under TSCA with an emphasis on activities associated with the Martha C. Rose Chemicals, Inc., PCB disposal facility in Holden, Missouri.

May I suggest the following approach to responding to the committee:

Meeting with Congressional Staff: Representatives from OTS, OCM, OSWER, OECM and OCL will meet with committee staff to discuss the scope of the hearings.

Testimony: The Office of Congressional Liaison (OCL) has suggested that Morris Kay present testimony for EPA. The August 6th letter from Mr. Synar asks that the testimony cover 5 specific topics. I suggest we work together to develop testimony, with a lead office for each point as follows:

- #1: OTS
- #2: OCM
- #3: OTS
- #4: Region VII
- #5: Region VII

Region VII has offered to take the overall lead for developing the testimony. Because of the tight time frames involved, Region VII must receive the various portions of the testimony by COB on Friday, August 8th. Please send your portion of the testimony to Ron

Ritter (E Mail 9712: FTS 757-2806).

Pre-meeting: OTS will organize a pre-meeting for Tuesday, August 12th to prepare for the testimony, to share Qs & As, etc. Region VII may wish to attend in person or via teleconference.

My contact for this activity will be Suzanne Rudzinski.
Suzanne's phone number is FTS 382-3935.

EPA-7478

Attachment

Addressees

Morris Kay/RA/Region VII
Richard Mays/OECM
Gene Lucero/OSWER
Gus Conroy/OCM

cc: Vic Kimm
John Seitz
Bill Prendergast
Marty Halper
Ronald Ritter (Region VII)
Henry Roompage (Region VII)
Rubin McCullers
Stan Abramson